

BUILDING ASSETS

Economic pathways for the world's smallholders

By Brady Deaton

Developing the agricultural sector is the key to broader social and economic improvement in most poorer countries of the world. Over the past 30 years, extreme poverty has declined from 42 percent of the world's population to 10 to 12 percent. Even with such success, the World Bank estimates that 767 million now live in extreme poverty, earning less than \$1.90 per day. Eighty percent of these extremely poor live in rural communities and depend on small-scale farm operations. Sixty percent actually farm. Accordingly, further reducing the plight of these poor families will require extraordinary policy measures at the national, as well as household and community levels.

We have the scientific capacity and the technical and financial know-how to achieve continuing improvements among the poorest people, but effective governance, sound policies, and economic understanding of sustainable and resilient productive systems are essential to progress in this stressful "last mile" of effort.

My own Peace Corps experience teaching in vocational agriculture in Nan, Thailand, in the early 1960s fueled my career-long enthusiasm for exploring alternative and complementary approaches to economic and social development. Over my career, I continued this exploration in university-related technical assistance and collaborations in Africa, Asia, and the Caribbean.

There is some economic development good news. We've experienced decades of steady progress in reducing extreme poverty, down from 1.85 billion in 1990, but the UN Food and Agriculture Organization reports an increase in undernourishment over the recent three years. Some sources estimate that 60 percent of this increase is most likely the result of increasing violence and political instability. Such conditions challenge the efforts of the United States, international agencies and other organizations to enable collaborating countries to strengthen their institutions, reduce risks for new investments, strengthen

The postwar history of U.S. development programs also demonstrates the need for countries to coordinate their macro-level policies with community- and household-level decisions that increase productive investments across the entire value chain from farms through marketing and distribution. Dedication to improving both the human and physical assets of any community is essential, and one without the other is doomed to failure.

Building farmer resilience

The 2017 Global Food Security Act passed by Congress reaffirms the U.S.

foreign policy of improving the conditions of the most vulnerable members of society—beginning with women and children—in countries that demonstrate leadership commitment and sound governance. The Board for International Food and Agricultural Development on which I serve is a seven-member advisory board appointed by the President to advise the U.S. Agency for International Development. We strongly support and encourage USAID to assist cooperating countries in building human and physical assets to become more self-sustaining. We also affirm that leadership and governance in partner

countries must also be committed to supporting these efforts.

The merits of development programs—including the use of food assistance when needed—are determined by the extent to which they strengthen



A farmer carefully spreads fertilizer on freshly planted crops by hand using an empty water bottle with the cup cut off.

their educational systems and otherwise improve themselves to achieve and sustain economic growth. Reasonably stable conditions are necessary to incentivize on-farm investments by smallholders themselves.

and sustain the capacity of people and communities to improve themselves. USAID is now giving more attention to strengthening the resilience of families through programs and support systems that improve self-sufficiency. Countries and communities must possess the political leadership to withstand and recover from disruptive shocks and stress in their food and health systems, whether caused by droughts, diseases, or violence.

USAID is emphasizing development strategies that help countries transition away from dependency on donors to achieve national self-sufficiency.

These constructive international efforts are challenged by growing political and military conflict, the vicissitudes of changing climatic conditions, pests and plant and animal diseases.

Building resiliency at the community and national levels is key to this strategy. With the support of private voluntary organizations, businesses, and government agencies such as extension, USAID programs demonstrate that agricultural development, innovative programs of finance, new solar and electrical power, and improved nutrition and water development can liberate the energy and creativity of even the most limited resource farmers.

Trusting smallholders

U.S. foreign assistance programs must be based on respect and faith in the people—in farmers and their families who struggle daily to improve their own lot. Extensive research has demonstrated that small-scale farmers will take advantage of a resource-enhanced environment if given reasonable access. So the challenge to donors is to design programs that provide reasonable hope that social and economic conditions will improve and enable farm families to be more productive and supportive of their families.

Development strategies to improve smallholder productivity rely on new scientific research in agricultural sciences, nutrition, and water development, new findings from diverse academic disciplines, and extensive field

experiences. Joining in this effort are cooperating universities around the world, collaborative non-governmental organizations, private business, and the consortium of 15 research centers in the Consultative Group on International Agricultural Research, and other supportive UN agencies. New knowledge from such research can lead to long-term success that enables recipient countries to become less dependent on external assistance.

However, sustaining these efforts means that each partner country must find its own ways to govern effectively,

build a civil society, educate its populace, conduct research, and adapt technologies. In doing so, scientists, educators, and entrepreneurs within each country can then work effectively with international partners toward mutually beneficial goals. Building such institutional capacity is costly and is threatened by growing political and military conflict, the usual stresses caused by changing climatic conditions, and the constant threat of pests and plant and animal diseases. These challenges call on every known policy tool and often require food assistance programs as well, both for short-term emergency food needs and to support long-term development and growth.

The renewed emphasis on resilience draws on old economic ideas of capital accumulation that include education, human capital, farm-level productivity, and marketing efficiency. But many other disciplines and organizational structures are now being coalesced into common strategies that incorporate needed organizational adjustments and psycho-social understanding in program design. Thus, as efforts are made to cushion producers and consumers against shocks and disruptions in production, the nutritional needs for children and employment alternatives for other family

members must be accounted for in intervention strategies.

USAID and other donors are increasingly recognizing that farm families must have the productive assets—both human and physical—to bounce back and build pathways to sustained growth. Cooperative business structures to purchase inputs, market and process product for domestic and international markets, and finance expansion, will likely play an expanded role in the future. Emergencies created by human and natural disasters may require additional aid. Meanwhile, current aid programs should create the conditions that eliminate the need for continued regular assistance from donors.

Best American values

The U.S. experience in development assistance emerged from the Marshall Plan after World War II and included significant food assistance as a critical element of U.S. foreign policy for economic as well as diplomatic and humanitarian reasons. Food aid remains an important tool today, but its full potential for building resilience is not recognized. Public skepticism about the effectiveness of food aid persists partly because U.S. food aid programs developed during a period of agricultural abundance, leading to criticism that U.S. food aid programs were “dumping” surplus food production. Concern also emerged about potential price and policy disincentives for local producers that may be created by food aid programs. However, most research demonstrates that recipient governments and agencies found ways to offset potential disincentives by creative offsetting policies. Understanding the cropping cycle, the local labor needs, and periods of local food shortage led to creative policies to increase farm-level production while insuring that the most-needy members of the community are fed. The earlier experiences of Brazil, India, Korea, Tunisia and Ethiopia provide country-level examples that demonstrate the power of such policy tools.

Nevertheless, having sufficient food to share with those in need embraces and reflects the best of the American spirit and values, the scientific achievements of



Stacks of bags of split yellow peas from donor countries arrive for distribution by the World Food Programme in regions suffering from famine.

our farmers, the research and education conducted at our Land Grant universities, the abilities of our corporate sector, and the volunteer spirit of our citizenry. Research has demonstrated that food aid ultimately contributes to significant growth in commercial trade between recipient countries and the United States,

as has occurred in many significant cases ranging from South Korea and India to Brazil and smaller countries.

For hungry recipients, there is no substitute for food. The desired outcomes of better health, restored dignity, and the pride that come from the ability to feed one's family are building blocks

in a resilient society. Whether it is the floods that have plagued Bangladesh, the political violence common in South Sudan and the Democratic Republic of the Congo, or the horrors of the earthquakes in Haiti, emergency food assistance has saved millions of lives and given countless children and families new opportunities

for improved health and renewed dignity. Along with emergency feeding programs for Haiti and many other countries, U.S. and UN food aid efforts provided food-for-work in road reconstruction, reforestation, water harvesting and irrigation projects that significantly improved recipient country productive capacity.

Most likely, food aid will continue to provide emergency support and, when effectively programmed, be an effective part of U.S. development efforts, particularly in strengthening resilience through sustained capital formation, or asset accumulation, if you will. Food aid can be a positive tool to transition countries into self-sustained growth whenever it is programmed to improve the productive potential of farmers by creating useful capital assets, improving human nutrition, and building community infrastructure.

My earlier research found that food aid programs were particularly effective for sustained development when their inherent investment streams were mobilized to achieve social and economic objectives. In this manner, food aid policy and program design can strengthen resilience and support the transformation of a country's economy. Implementing practical strategies of food aid to improve small-scale farming, soil conservation, and family diets helps build more resilient economies and improves human capital. So, the findings from this research demonstrate that food aid can be one among other tools that help address the fundamental needs of the more than 767 million people living in "extreme poverty" in some of the most challenging and environmentally fragile eco-zones in the world.

Food for work succeeds

Four investment streams that build resilience are imbedded to varying degrees in food aid programs: new and improved capital projects; household

savings; foreign exchange savings; and human capital improvements stemming from nutritional gains, skill training and work experiences. Clearly, the impact of a school feeding program varies significantly from a food-for-work project, though both may improve human nutrition and provide more energy for learning and work.

Foreign exchange savings result from the reallocation of funds away from commercial food imports that are replaced by food aid. Those scarce funds can be

public works as part of an integrated rural development project in the District. These efforts created new and improved capital projects and access to improved pastures, with water harvesting and improved irrigation systems. The capital constraint for local producers was relaxed, resulting in a 52 percent increase in net farm income. Production improvements on smallholders' two- or three-acre subsistence farms were supplemented by more water for their farms, more food for their own energy, and crop and marketing options for their agricultural production.

In a purely economic sense, household income is spent on consumption or savings. The savings in Baringo were translated into purchase of new tools, improved fences, and new inputs such as improved seeds and fertilizers, leading to greater efficiency in the use of labor, land, and tools. The farmers' diets provided more energy to improve fences for livestock management and harvest more of the available rainfall or stream flow for crops and livestock. These are gains in household savings that had a profound effect on the resilience of the farm family.

We also found that as low-income farmers improved their management practices, they hired

their neighbors and local employment increased 93 percent above the direct employment in the Food for Work project.

The food aid commodities these smallholders received represented increased household income and improved family nutrition. Compared to other Baringo families, their consumption of fat increased by 42 percent, calorie consumption by 26 percent, and protein consumption by 16 percent. The field workers in this food aid-supported project were all men. Women prepared family meals supplementing their own production with the commodities earned by the men in the household resulting in more nutritious diets.



Smallholders in Mozambique carefully plant a field of groundnuts

reallocated to other high-priority needs in the agricultural and other sectors of the economy. Three other investment streams were identified that created economic benefits in a household- and community-level impact analysis in Kenya's Rift Valley.

Collaborating with faculty of Egerton University in Njoro, Kenya, a study was conducted of the impact of an ongoing Food-For-Work Program on the families of 330 smallholders in a food-deficit region of Baringo District, a semi-arid area devoted to millet and livestock production. The UN/World Food Program provided commodities as a cash substitute to pay smallholder farmers as laborers to work on water harvesting, irrigation, road building, and other

Road to well-being?

The poorest households benefitted most of all. Lower income members of the community participated more actively in the food for work project, resulting in more equal patterns of income distribution and improved nutritional intake across the community. The lowest-income quintile of our sample consumed 32 percent more nutrients than the average of the sample. We concluded that poor families understood the value of food for their children. Food aid improved the nutritional intake of participants more than would its cash equivalent.

More resilient local production capacity is complemented by household nutritional gains that lend optimism for the long-term consequences of food aid. Farm-level productive capital accumulated and small family-operated production was stimulated. Consequently, the need for food assistance could be eliminated if such capital formation continued, but that will likely require other investments in marketing and processing infrastructure to sustain the growth and provide employment to some members of the community. Labor displacement is a likely consequence of such transformational patterns of development. So, broader aspects of resilience for the health and well-being of women and children especially must be determined.

Nevertheless, the evidence suggests that properly managed Food for Work programs can play an important role in the long-term economic development of food deficit regions, providing a cushion for the nutrient needs of families, while generating community infrastructure and supplementing family income. Local social and economic conditions must always be taken into consideration, and the nature of household decisions about production, consumption, and employment of own and hired labor are important contributing factors.

The results of our studies reaffirmed what Nobel Laureate T.W. Schultz argued: that farmers are rational and will make efficient and worthwhile decisions when they are given the chance to do so. We need to trust that their cultural and social norms are programmed for survival

of the family, they will attain efficiency in managing small-scale agricultural operations to feed their families and insure healthy diets for their children, and they are capable of selling their products in local markets. These are beginning points for successful programs of resilience.

Food represents more than just its value in the market place. Food production, marketing, and consumption reflect critical cultural values for which equivalent money is no substitute. The words "Food for Peace" reflect a U.S. foreign aid policy that is committed to more than simply nutrient adequacy for our brothers, our sisters and "all our children" in countries in need. Many advocates for peace agree.

In his 1970 acceptance speech for the Nobel Peace Prize, Norman Borlaug said, "Food is the moral right of all who are born into this world." Borlaug went on to reframe his argument. "If you desire peace, cultivate justice, but at the same time cultivate the fields to produce more bread; otherwise there will be no peace."

Food aid satisfies important humanitarian values. It can be an important tool for building economic resilience at all levels. Ultimately it leads to strong trading partnerships with donor countries. History tells us that when food security is threatened, the family and community are threatened. The moral and political challenge remains for us to recognize that food is fundamental to building a sustainable society, which requires that we establish and implement development policies that address the needs of the most disadvantaged.

Dr. Brady Deaton serves as a 2011 Presidential appointee to the USAID advisory board on food and agriculture in developing countries and recently completed his term as chairman. He began his career in agriculture after his sophomore year in college in 1962 and joined Peace Corps as a vocational agriculture teacher in Nan, Thailand. He later completed doctoral studies in agricultural economics at the University of Wisconsin, and taught for 17 years at two universities before joining the faculty at the University of Missouri in 1989 and retired as chancellor in 2013.

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